



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

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**NAPIER PROPOSES TAX DEDUCTION TO HELP FAMILIES
SAVE FOR THE RISING COSTS OF COLLEGE**

Treasurer says deduction would encourage saving; make state more competitive

(Hartford) - Citing the need to help Connecticut remain competitive with other states in serving the needs of families striving to achieve a solid future for their children, State Treasurer Denise L. Nappier today proposed legislation to create a state income tax deduction for contributions to the state's college savings program, CHET.

"Currently, two-thirds of the states that have an income tax offer some type of tax incentive to their residents who contribute to their state's college savings plan," said Treasurer Nappier. "As a proud Connecticut resident and someone who recognizes the significant economic challenges posed by the rising cost of college, I can't help but wonder why we don't offer our families similar incentives to save for their children's futures."

Nappier's proposal – which gained immediate support from a bi-partisan coalition of legislators, business and education leaders – calls for a deduction on contributions of up to \$5,000 for account holders who file a tax return as single, and \$10,000 for couples filing jointly. The legislation proposed is expected to cost the state \$5-7 million per year.

The tax deduction would build on a series of improvements made to the CHET program during the Nappier Administration, and further encourage families to save regularly for the ever-increasing costs of higher education. CHET ended January with \$667 million in assets in nearly 49,000 accounts, compared with just over 4,000 accounts when Treasurer Nappier took office in 1999. In 2005, there were 4,265 new accounts opened, with total assets increasing by \$104 million.

"As the State's Treasurer, I understand the importance of good, smart investments," said Nappier. "The future of Connecticut is dependent on a highly educated workforce. An investment in education will ultimately yield positive returns – for families and the economic health of our state."

Saying that "saving for college early is one of the most important things families can do for their children," **Commissioner of Higher Education Valerie F. Lewis**, urged support. "As college costs escalate, families need ever-growing resources to keep up. Starting savings while children are still young, no matter what amount, is the way to build a nest egg for college. We are fortunate to have CHET, a ready-made tool for doing so. As a grandparent, I've begun my own CHET accounts – CHET offers a convenient and effective means of investment in your family's future."

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Nappier and Lewis were joined at a news conference announcing the proposal by key lawmakers, including Sen. Eileen Daly (Westbrook), Sen. Andrea Stillman (Waterford), Sen. Billy Ciotto (Wethersfield), Rep. Cam Staples (New Haven), Rep. Robert Heagney (Simsbury), Rep. Andrew Fleischmann (West Hartford), Rep. Demetrios Giannaros (Farmington), Rep. Roberta Willis (Lakeville) and Rep. Chris Perone (Norwalk). The proposal also drew support from Jen Rizzotti, women's basketball coach at the University of Hartford (and mother of a 10-month old) who stressed the importance of starting early to save for college expenses.

ECONOMIC BENEFITS TO CONNECTICUT

The Treasurer cited the positive impact a tax deduction could have on the state's economy, including increased revenue and economic vitality that accompany a more educated workforce, attracting young families to the state and keeping more Connecticut students in-state. Studies show that college graduates earn approximately \$18,000 more a year than high school graduates, which adds up to about a million dollars throughout their career.

Recent statistics indicate that the total charges (including tuition, fees, and room and board) for a four-year public college increased by 6.6% a year ago, with the cost of four-year private universities increasing 5.7% nationwide. Nappier said "those increases are more than double the overall rate of inflation and more than triple the average increase in wages."

Studies have shown that young people often live and work where they went to college. Connecticut continues to lose young workers from its population, threatening both business expansion and state revenues. During the past four years, Connecticut's population of 25-44 year olds has dropped from 1,035,600 to 994,300.

"In order to stay competitive, Connecticut needs to invest in the future. That means investing not only in businesses and communities, but also in our human capital," Nappier said. "We can and should demonstrate our commitment to our children's future. In fact, we can't afford not to.

Christopher Bruhl, President and CEO of the Business Council of Fairfield County, said "An incentive such as the CHET tax deduction is not only an investment for Connecticut families it is an investment in the state's next generation of leaders. The Business Council of Fairfield County strongly supports the Treasurer's office proposal making higher education more attainable for the state's residents."

SOLID SUPPORT FOR CHET TAX DEDUCTION

Numerous leading organizations across the state have already endorsed the proposal for a tax deduction on CHET contributions, including the Connecticut Conference of Independent Colleges, Business Council of Fairfield County, Connecticut PTA, Connecticut Association of Public School Superintendents, Connecticut Higher Education Student Loan Authority, Connecticut Student Loan Foundation and Capitol Region Education Council.

Mark Valenti, President of Connecticut Student Loan Foundation, said "Student and family debt is increasing at a disturbing rate in order to pay for the cost of college. This proposal presents a great opportunity for citizens of Connecticut. It is one way that can increase college savings and reduce the necessity of acquiring debt to pay for college."

"This initiative by CHET is an example of an outstanding program and opportunity for any Connecticut resident wishing to invest in their children's educational future," said **Mark**

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Princeville, first vice president of the Connecticut PTA. "Not only do I support it on behalf of the PTA, but my wife and I will together take advantage of this opportunity on behalf of our two children," added Princeville.

The Treasurer's proposal also follows Congressional action to cut funding for federal student-loan programs by \$12.7 billion over the next five years, the largest-ever to these programs. The Congressional plan will raise interest rates on Stafford loans and cut subsidies to lenders, which could increase the debt burden for college students and their families.

"We often talk about the dream of education," Nappier said. "But parents can't pay for college education on a dream. They need solutions... and that's where this proposal comes in. We should be doing everything we can to help our families save and plan for the costs of higher education. It's more than a moral imperative... it's an economic necessity."

"In-state tax deductions have had a positive impact on college savings in the many states that have adopted them," said **Chris Hunter, Program Manager of the College Savings Plan Network.** "They provide a real financial incentive for saving for college. Exclusions based on contributions allow families to benefit from the tax advantage almost immediately. These tax benefits help to lessen the sacrifices that families need to make in order to save, and may make saving more of a reality for some families."

"We are supportive of the Treasurer's efforts to put forth legislation that will support students and families and will assist more children in pursuing higher education," said **Dr. David Larson, Executive Director, Connecticut Association of Public School Superintendents.**

INVESTMENT OPTIONS ADD STRENGTH TO CHET PROGRAM

Treasurer Nappier has been a leading advocate for the need to help families and young people save, particularly when it comes to higher education. In addition to urging the legislature to enact a tax-based incentive for CHET account owners, she has spurred a series of improvements designed to make CHET a premier higher education savings option for Connecticut families.

The CHET program presently offers three investment options for account owners, depending upon their tolerance for risk and their investment preferences. In addition to advocating the tax deduction for contributions to CHET, plans are currently being finalized for the introduction of additional investment options, broadening the choices available for account owners, to be formally introduced this spring. Under current State and Federal law, contributions to a CHET account are free from federal and Connecticut income taxes.* Withdrawals used for qualified expenses, including tuition, room and board, are free of both federal and CT income taxes.

A CHET account may be opened with as little as \$25, and can be made using automatic deposit from checking or savings accounts or payroll deduction through participating employers. In addition, more than 400 Connecticut businesses and numerous municipalities offer payroll deduction for CHET contributions to their employees. A CHET account can be opened by any individual, including a grandparent, family friend or neighbor.

The CHET program web site www.aboutchet.com, offers on-line enrollment and describes the range of CHET investment options.

**The law allowing federal tax-free qualified withdrawals is set to expire on December 31, 2010. Congress may or may not extend this law beyond that date.*

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